

Order of the President of the People's Republic of China

No. 46

The Law of the People's Republic of China on Asset Appraisal, adopted at the 21st Meeting of the Standing Committee of the Twelfth National People's Congress on July 2, 2016, is hereby promulgated and shall come into force on December 1, 2016.

Xi Jinping
President of the People's Republic of China

July 2, 2016

Law of the People's Republic of China on Asset Appraisal^①

(Adopted at the 21st Meeting of the Standing Committee of the Twelfth National People's Congress on July 2, 2016)

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Chapter I General Provisions

Article 1 This Law is enacted for the purpose of regulating asset appraisal activities, protecting the legitimate rights and interests of parties involved in asset appraisal and the interests of the public, promoting the healthy development of the asset appraisal industry, and maintaining order of the socialist market economy. ¹

Article 2 Asset appraisal as stated in this Law (hereinafter referred to as ²

① Translator's note: 'Asset appraisal' and 'valuation' are interchangeable for the international valuation industry, translators think the term 'asset appraisal' is more appropriate given the context of this Law.

“appraisal”), refers to the professional services undertaken by entrusted appraisal firms and their appraisal professionals, including evaluation, appraisal, and issuance of appraisal reports regarding real estate, personal assets, intangible assets, enterprise value, asset loss and other economic rights and interests.

- ³ **Article 3** Where a natural person, legal person or any other organization needs to determine the value of a given subject, the natural person, legal person or organization may voluntarily commission an appraisal firm to conduct an appraisal.
- ⁴ Where an appraisal is necessitated by a law or an administrative regulation on the ground that matters such as state-owned assets or public interest is involved (hereinafter referred to as “statutory appraisal”), an appraisal firm shall be entrusted to conduct the appraisal in accordance with law.
- ⁵ **Article 4** Appraisal firms and their appraisal professionals shall conduct business in accordance with laws, administrative regulations and appraisal standards, and abide by the principles of independence, objectivity and impartiality.
- ⁶ The law shall protect the appraisal firms and their appraisal professionals that conduct their business in accordance with the law.
- ⁷ **Article 5** To engage in appraisal work, an appraisal professional must join an appraisal firm, and he may only join one firm at a time for that purpose.
- ⁸ **Article 6** Professional societies may be formed according to law based on different fields of expertise. Such societies shall be self-regulatory and subject to the supervision of relevant appraisal administration departments and the oversight of the public.
- ⁹ **Article 7** Relevant appraisal administration departments of the State Council shall, according to their respective functions, be responsible for the supervision and administration of the appraisal profession un-

der their purview.

Relevant appraisal administration departments of local people's gov- 10
ernments at or above the level of city divided into districts shall, ac-
cording to their respective functions, be responsible for the supervi-
sion and administration of the appraisal profession within their ad-
ministrative region.

Chapter II Appraisal Professionals

Article 8 Appraisal professionals refer to appraisers and other appraisal 11
practitioners with expertise and practical experience in appraisal work.

“Appraisers” refer to appraisal professionals that have passed the 12
appraiser’s certification examination. The State shall determine ap-
praiser specializations based on the requirements of economic and
social development.

Article 9 Relevant national appraisal societies shall, in accordance 13
with State regulations, organize a unified national appraiser’s qualifi-
cation examination.

Citizens who possess academic qualifications at or above the college 14
level may participate in the unified national appraiser’s qualification
examination.

Article 10 National appraisal societies shall publish the name lists of 15
their member appraisers on their websites, and update the name lists
in real time.

Article 11 Anyone who has received a criminal punishment for in- 16
tentionally committing a crime, or for negligently committing a crime
in appraisal, financial, accounting or auditing activities may not en-
gage in appraisal business for a period of five years counting from the
date he has completed serving the criminal sentence.

Article 12 An appraisal professional shall have the following rights: 17

- 18 (a) Requesting a client to provide relevant proof of ownership, financial and accounting information, and other materials, as well as the necessary assistance to ensure the fairness and impartiality of the appraisal procedure;
 - 19 (b) Having access, in accordance with law, to the documents, evidence and other materials kept by relevant State organs or other organizations which are needed for appraisal work;
 - 20 (c) Rejecting any illegal interference with the process or outcome of an appraisal by a client or by any other individual or organization;
 - 21 (d) Signing an appraisal report in accordance with the law; and
 - 22 (e) Other rights prescribed by laws and administrative regulations.
- 23 **Article 13** An appraisal professional shall fulfill the following obligations:
- 24 (a) Maintaining integrity and good faith, and conducting appraisal in an independent, objective and impartial manner in accordance with law;
 - 25 (b) Complying with appraisal standards, fulfilling investigatory responsibilities, conducting independent appraisal and analysis, and conducting business diligently and prudentially;
 - 26 (c) Completing mandatory continuing education, and maintaining and upgrading professional capacity;
 - 27 (d) Substantiating and verifying the authenticity, accuracy and integrity of relevant documents, evidence and materials used in appraisal activities;
 - 28 (e) Protecting confidentiality of any State secrets, trade secrets and issues of personal privacy which appraisal professionals may become aware of in the course of their work;
 - 29 (f) Recusing himself if a conflict of interest arises between him and a

client or any other interested party, or as regard the subject of appraisal;

(g) Accepting self-regulatory management of a professional society he joins, and fulfilling the obligations prescribed in the articles of association of the professional society; and

(h) other obligations prescribed by laws and administrative regulations.

Article 14 An appraisal professional may not engage in any of the following conduct:

(a) Taking on an appraisal deal on commission and collecting remunerations privately and without authorization of the appraisal firm;

(b) Concurrently engaging in the appraisal business at two or more appraisal firms;

(c) Soliciting business by improper means such as deception, baiting, and coercion, or by disparaging or slandering other appraisal professionals;

(d) Permitting another person to engage in appraisal business in his name, or falsely using another person's name to conduct business;

(e) Signing an appraisal report on an appraisal work that he did not engage in;

(f) Requesting, accepting, or requesting or accepting in any disguised form, remunerations or things of value other than that which has been contractually agreed upon, or seeking other improper benefits;

(g) Signing a false appraisal report or an appraisal report with significant omissions; or

(h) Any other conduct that violates laws or administrative regulations.

Chapter III Appraisal Firms

Article 15 An appraisal firm shall be formed by adopting the part-

nership or corporate structure in accordance with law, and employ appraisal professionals to undertake appraisal work.

- 42 An appraisal firm in the form of a partnership shall have two or more appraisers, and at least two thirds of its partners shall be appraisers with three or more years of appraisal experience who have not been penalized and suspended from practice in the last three years.
- 43 An appraisal firm in the corporate form shall have eight or more appraisers and two or more shareholders. At least two thirds of its shareholders shall be appraisers with three or more years of appraisal experience who have not been penalized and suspended from practice in the last three years.
- 44 Where an appraisal firm has two partners or shareholders, both of the two partners or shareholders shall be appraisers with three or more years of appraisal experience who have not been penalized and suspended from practice in the last three years.
- 45 **Article 16** For the establishment of an appraisal firm, an application for registration shall be submitted to the administration for industry and commerce. And the appraisal firm shall, within 30 days from the date it receives a business license, file for record with the relevant appraisal administration department. The appraisal administration department shall, in a timely manner, publish the information of the appraisal firms that have filed for record.
- 46 **Article 17** Appraisal firms shall conduct business independently, objectively and impartially in accordance with law, and establish a sound quality control system to ensure that their appraisal reports are objective, authentic and reasonable.
- 47 Appraisal firms shall establish a sound internal management system, oversee the appraisal professionals as regard their compliance with laws, administrative regulations and appraisal standards, and be accountable for the latter's business conducts.

Appraisal firms shall be subject to supervision and inspection in accordance with the law, and shall provide appraisal records and the relevant information in a truthful manner. 48

Article 18 Where a client refuses to provide, or fails to honestly provide, proof of ownership, financial and accounting information or other materials required for appraisal work, the appraisal firm is entitled, in accordance with law, to refuse the client's request to fulfill the contractual obligations. 49

Article 19 Where a client requests the issuance of a false appraisal report or illegally interferes with the outcome of appraisal by any other means, the appraisal firm is entitled to rescind the contract. 50

Article 20 An appraisal firm may not engage in any of the following conduct: 51

(a) Seeking improper benefits by taking advantage of the appraisal business it is handling; 52

(b) Permitting another firm to conduct business in its name, or falsely using another firm's name to conduct business; 53

(c) Soliciting business by improper means such as maliciously undercutting others, offering kickbacks, or false advertising, or by disparaging or slandering other appraisal firm; 54

(d) Taking on an appraisal deal despite of a conflict of interest; 55

(e) Agreeing to provide services and carry out appraisal of the same subject, as is separately commissioned by two parties between whom there is a conflict of interest; 56

(f) Issuing a false appraisal report or an appraisal report with significant omissions; 57

(g) Employing or designating a person who does not conform to the stipulations of this Law to conduct an appraisal; or 58

- 59 (h) Any other conduct that is in violation of laws or administrative regulations.
- 60 **Article 21** Appraisal firms shall, based on business requirements, establish an occupational risk fund or voluntarily purchase occupational liability insurance, to improve their risk prevention mechanisms.

Chapter IV Appraisal Procedures

- 61 **Article 22** Clients are entitled to independently select appraisal firms that are in compliance with the provisions of this Law, and no organizations or individuals may illegally place any restrictions on or interfere in the selection process.
- 62 Where an appraisal involves two or more parties, an appraisal firm shall be commissioned upon agreement by all the parties through consultation.
- 63 The selection and commissioning of appraisal firms shall be carried out in accordance with law.
- 64 **Article 23** Clients shall enter into a contract of commission with appraisal firms to stipulate the rights and obligations of both parties.
- 65 Clients shall pay appraisal firms as agreed upon in their contract, and may not request or accept kickbacks or do so in any disguised form.
- 66 Clients shall be accountable for the authenticity, integrity and legality of the proof of ownership, financial and accounting information as well as any other materials they provide.
- 67 **Article 24** An appraisal firm shall designate two or more appraisal professionals for handling an appraisal.
- 68 A client is entitled to request the recusal of any appraisal professional who has a conflict of interest with any of the relevant parties or as regard the subject of appraisal.

Article 25 Appraisal professionals shall, according to the specific cir- 69
cumstances of an appraisal task, conduct on-site investigation with re-
gard to the subject of appraisal, and collect and substantiate, verify,
analyze and sort out the proof of ownership, financial and accounting
information and other materials that are the basis of appraisal.

Article 26 Appraisal professionals shall select the appropriate ap- 70
praisal methods, and shall select two or more appraisal methods ex-
cept where only one method is allowed according to the standards of
appraisal practice. They shall form appraisal conclusions and produce
appraisal reports on the basis of comprehensive analysis.

Appraisal firms shall conduct internal verification of the appraisal re- 71
ports produced thereby.

Article 27 An appraisal report shall be signed by two or more ap- 72
praisal professionals who have engaged in the appraisal and be af-
fixed with the seal of the appraisal firm.

Appraisal firms and their appraisal professionals shall be legally liable 73
for the appraisal reports that they have issued.

Clients may not incite or collude with any appraisal firm or appraisal 74
professional to issue false appraisal reports.

Article 28 For handling a statutory appraisal, appraisal firms shall 75
designate two or more appraisers with corresponding expertise, and
the appraisal report shall be signed by two or more appraisers who
have engaged in the appraisal and be affixed with the seal of the ap-
praisal firm.

Article 29 Appraisal records shall be retained for at least 15 years. 76
Records of statutory appraisals shall be retained for at least 30
years.

Article 30 Where a client has objections to an appraisal report, the 77
client may request the appraisal firm to provide an explanation.

- 78 **Article 31** Where a client believes that an appraisal firm or appraisal professional has violated the law in the process of conducting business, the client may file a complaint or report with the relevant appraisal administration department or professional society, and the relevant appraisal administration department or professional society shall investigate and handle the complaint or report and give a feedback to the client in a timely manner.
- 79 **Article 32** Clients or users of appraisal reports shall use appraisal reports in accordance with relevant provisions of law and the scope of use specified in the appraisal report.
- 80 Appraisal firms and appraisal professionals shall not assume any liability if the clients or users of appraisal reports use the appraisal reports in a way that is in violation of the stipulations of the preceding paragraph.

Chapter V Professional Societies

- 81 **Article 33** Appraisal societies are self-regulatory organizations comprised of members of appraisal firms and appraisal professionals, and shall conduct self-regulatory management in accordance with laws, administrative regulations and their articles of association.
- 82 National appraisal societies shall be formed according to different fields of expertise, and local appraisal societies shall be formed based on needs.
- 83 **Article 34** Articles of association of an appraisal society shall be formulated by its representative assembly, and shall be submitted for review and approval by the registration authority and be filed for record with the relevant appraisal administration department.
- 84 **Article 35** Appraisal firms and appraisal professionals that join relevant appraisal societies shall enjoy the rights and fulfill the obligations on an equal basis, as are prescribed in the articles of association. Ap-

praisal societies shall publish a list of the appraisal firms and appraisal professionals that are its members.

Article 36 Appraisal societies shall fulfill the following obligations: 85

(a) Formulating self-regulatory measures that are binding on their 86 members and conducting self-regulation;

(b) Formulating standards for the practice of appraisal and code of 87 professional ethics in accordance with the basic appraisal standards;

(c) Organizing continuing education programs for their members; 88

(d) Establishing a credit recording system, to record the history of 89 their members' performance as to their compliance with laws, administrative regulations and appraisal standards, and to ensure such records are publicly available;

(e) Inspecting their members' risk prevention mechanisms; 90

(f) Dealing with complaints and reports against their members, han- 91 dling appeals made by members, and carrying out mediation between members when disputes arise concerning appraisal practice;

(g) Disciplining members' professional conduct, regularly examining 92 appraisal reports issued by their members, awarding and penalizing members according to the articles of association, and submitting a timely report on the awarded and penalized to the relevant appraisal administration department;

(h) Ensuring that their members conduct business in compliance with 93 the law, and protecting the legitimate rights and interests of their members; and

(i) Other obligations prescribed by laws, administrative regulations 94 and articles of association.

Article 37 Relevant appraisal societies shall establish the mecha- 95 nisms for communication, cooperation and information sharing, and

develop the common code of conduct when necessary, to promote the healthy and orderly development of the appraisal industry.

⁹⁶ **Article 38** The rates of membership fee of an appraisal society shall be subject to approval by the representative assembly and be made public. The amount of membership fee paid by a member may not be a condition for that member to hold a specific post in the society.

⁹⁷ Collection and use of membership fees are subject to the supervision of the representative assembly and the relevant department, and no organizations or individuals may seize, illicitly share among themselves, or misappropriate such fees.

Chapter VI Supervision and Administration

⁹⁸ **Article 39** Appraisal administration departments of the State Council shall be responsible for organizing the formulation of relevant basic appraisal standards and the measures for supervising and administering the appraisal industry.

⁹⁹ **Article 40** Relevant appraisal administration departments of local people's governments of cities divided into districts shall, according to their respective functions, be accountable for the supervision and administration of the appraisal industry, impose administrative penalties in accordance with the law upon the appraisal firms and appraisal professionals that engage in illegal conduct, inform the relevant appraisal professional society about the penalization in a timely manner, and release the same to the public in accordance with the law.

¹⁰⁰ **Article 41** Appraisal administration departments shall carry out supervision and inspection of relevant appraisal societies, and shall promptly investigate and handle the issues identified in inspection as well as the complaints and reports they have received against relevant societies.

¹⁰¹ **Article 42** Appraisal administration departments may not, in viola-

tion of the provisions of this Law, place any restrictions on any appraisal firms that conduct business in accordance with law.

Article 43 Appraisal administration departments may not maintain 102
any personal or financial relationships with any appraisal societies or appraisal firms, nor may they exploit their power to solicit business for appraisal firms.

Chapter VII Legal Liability

Article 44 Where an appraisal professional violates the provisions 103
stipulated in this Law and falls under one of the following circumstances, he shall be given a warning by the relevant appraisal administration department and may be ordered to suspend from practice for a period of not less than six months but no more than one year, and his illegal gains, if any, shall be confiscated. If the circumstances are serious, the appraisal professional shall be ordered to suspend from practice for a period of not less than one year but no more than five years. If a crime is constituted, criminal liability shall be pursued in accordance with the law.

(a) Taking on an appraisal deal on commission and collecting remunerations privately and without authorization of the appraisal firm; 104

(b) Concurrently engaging in the appraisal business at two or more appraisal firms; 105

(c) Soliciting business by improper means such as deception, baiting, and coercion, or by disparaging or slandering other appraisal professionals; 106

(d) Permitting another person to engage in appraisal business in his name, or falsely using another person's name to conduct business; 107

(e) Signing an appraisal report on an appraisal work that he did not engage in, or signing an appraisal report with significant omissions; or 108

- ¹⁰⁹ (f) Requesting, accepting, or requesting or accepting in any disguised form, remunerations or things of value other than that which has been contractually agreed upon, or seeking other improper benefits.
- ¹¹⁰ **Article 45** Where an appraisal professional signs a false appraisal report in violation of the provisions stipulated in this Law, he shall be ordered to suspend from practice for a period of not less than two years but not more than five years by the relevant appraisal administration department, and his illegal gains, if any, shall be confiscated. If the circumstances are serious, the appraisal professional shall be ordered to suspend from practice for a period of not less than five years but not more than ten years. If a crime is constituted, criminal liability shall be pursued in accordance with the law, and the appraisal professional shall be banned from practicing for life.
- ¹¹¹ **Article 46** Where an entity, in violation of the provisions stipulated in this Law, engages in appraisal in the name of an appraisal firm without registering with the administration for industry and commerce, an order to cease the illegal activity shall be issued by the administration for industry and commerce; the illegal gains, if any, shall be confiscated; and a fine of not less than the amount of but not more than five times the amount of the illegal gains shall be imposed.
- ¹¹² **Article 47** Where an appraisal firm violates the provisions stipulated in this Law and falls under one of the following situations, it shall be given a warning by the relevant appraisal administration department, and may be ordered to suspend from business operations for a period of not less than one month but not more than six months; its illegal gains, if any, shall be confiscated, and a fine of not less than the amount of but not more than five times the amount of the illegal gains shall be imposed. If the circumstances are serious, its business license shall be revoked by the administration for industry and commerce. If a crime is constituted, criminal liability shall be pursued in

accordance with the law.

(a) Seeking improper benefits by taking advantage of the appraisal business it is handling; 113

(b) Permitting another firm to conduct business in its name, or falsely using another firm's name to conduct business; 114

(c) Soliciting business by improper means such as maliciously undercutting others, offering kickbacks, or false advertising, or by disparaging or slandering other appraisal firm; 115

(d) Taking on an appraisal deal despite of a conflict of interest; 116

(e) Agreeing to provide services and carry out appraisal of the same subject, as is separately commissioned by two parties between whom there is a conflict of interest; 117

(f) Issuing an appraisal report with significant omissions; 118

(g) Failing to retain the appraisal records for a period of time as prescribed in this Law; 119

(h) Employing or designating a person who does not conform to the stipulations of this Law to conduct an appraisal; or 120

(i) Causing adverse consequences due to insufficiency or negligence in managing its appraisal professionals. 121

Where an appraisal firm fails to complete the formalities of filing for record in accordance with the provisions stipulated in this Law, or fails to conform to the conditions prescribed in Article 15 of this Law, the relevant appraisal administration department shall order it to make rectification. If it refuses to rectify, it shall be ordered to suspend from business operations by the appraisal administration department, and a fine of not less than RMB 10, 000 yuan but not more than RMB 50, 000 yuan shall be imposed thereupon. 122

Article 48 Where an appraisal firm issues a false appraisal report in 123

violation of the provisions stipulated in this Law, it shall be ordered to suspend from business operations for a period of not less than six months but not more than one year by the relevant appraisal administration department; its illegal gains, if any, shall be confiscated, and a fine of not less than the amount of but not more than five times the amount of the illegal gains shall be imposed. If the circumstances are serious, its business license shall be revoked by the administration department for industry and commerce. If a crime is constituted, criminal liability shall be pursued in accordance with the law.

¹²⁴ **Article 49** Where an appraisal firm or appraisal professional has been subjected to other penalties than being ordered to suspend from business operations or practice for three times within one year for violating the provisions stipulated in this Law, the appraisal firm or appraisal professional shall be ordered to suspend from business operations or practice for a period of not less than one year but not more than five years by the relevant appraisal administration department.

¹²⁵ **Article 50** Where an appraisal professional violates the provisions stipulated in this Law and thus causes losses to a client or any other relevant party, the appraisal firm with which the appraisal professional works shall assume the liability for compensation in accordance with the law. The appraisal firm may, after fulfilling the aforesaid compensatory obligation, seek recovery from the appraisal professional who has deliberately committed the violation or committed the violation due to grossly negligence.

¹²⁶ **Article 51** Where an entity, in violation of the provisions stipulated in this Law, fails to entrust an appraisal firm to conduct a statutory appraisal as is required, it shall be ordered to make rectification by the relevant department. If it refuses to rectify, a fine of not less than RMB 100, 000 yuan but not more than RMB 500, 000 yuan shall be imposed. If the circumstances are serious, the responsible person in

charge and the other persons who are directly responsible shall be penalized; where losses are caused, compensatory liability shall be borne in accordance with the law. If a crime is constituted, criminal liability shall be pursued in accordance with the law.

Article 52 Where an entity, in violation of the provisions stipulated in this Law, falls under one of the following situations in a statutory appraisal, the client shall be ordered to make rectification by the relevant appraisal administration department in conjunction with other relevant department. If the client refuses to rectify, a fine of not less than RMB 100, 000 yuan but not more than RMB 500, 000 yuan shall be imposed; the illegal gains, if any, shall be confiscated. If the circumstances are serious, the responsible person in charge and the other persons who are directly responsible shall be penalized; where losses are caused, compensatory liability shall be borne in accordance with the law. If a crime is constituted, criminal liability shall be pursued in accordance with the law. 127

(a) Failing to select an appraisal firm in accordance with the law; 128

(b) Requesting or accepting kickbacks, or doing so in any disguised form; 129

(c) Inciting or colluding with an appraisal firm or appraiser to issue a false appraisal report; 130

(d) Failing to provide the appraisal firm with proof of ownership, financial accounting information and other materials in a truthful manner; or 131

(e) Failing to use an appraisal report according to the provisions of law and the scope of use specified in the appraisal report. 132

Where a client other than the entity mentioned in the preceding paragraph violates the provisions stipulated in this Law and thus causes losses to others, the client shall assume the liability for compensation in accordance with the law. 133

¹³⁴ **Article 53** Where an appraisal society violates the provisions stipulated in this Law, it shall be given a warning by the relevant appraisal administration department and be ordered to make rectification. If the appraisal society refuses to rectify, the relevant appraisal administration department may notify the registration administration authority as such, and the latter shall impose a penalty thereupon in accordance with the law.

¹³⁵ **Article 54** Where an employee of an administration department or appraisal society, in violation of the provisions stipulated in this Law, abuses his power, neglects his duty, or seeks personal gains by exploiting his position, the employee shall be given disciplinary sanctions in accordance with the law. If a crime is constituted, criminal liability shall be pursued in accordance with the law.

Chapter VIII Supplementary Provisions

¹³⁶ **Article 55** This Law shall come into force on December 1, 2016.